

**Department of Insurance and
Financial Services**

Revised Financial Services Committee
10 February 2015

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

History & Overview of DIFS

- Executive Order of Governor John Engler created the Office of Financial and Insurance Services (OFIS), combining insurance and financial services.
- 2000 – 2013 OFIS/OFIR operated as an agency under the department of:
 - CIS/DLEG/DELEG/LARA

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Executive Order 2013-1 established DIFS – formerly Office of Financial and Insurance Regulation (OFIR).

“Insurance and financial service businesses are a vital part of the overall economic health of Michigan. By establishing a new department dedicated to industry sustainability, it further emphasizes the commitment to removing red tape from economic growth in Michigan.”

-Governor Rick Snyder

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

History & Overview of DIFS

- Recognizes industries' importance to Michigan's economic success.
 - Employs 155,000 Michigan residents, generating almost \$10 billion in payroll.
- As a department, DIFS will provide more emphasis on promoting economic growth within insurance and financial services industries.

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Our Mission

- Provide a business climate that promotes economic growth while ensuring that the insurance and financial services industries are safe, sound and entitled to public confidence.
- Provide consumer protection, outreach and education services to Michigan citizens.

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

History & Overview of DIFS

- Over 330 employees
- Regulatory responsibility
 - ✓ Insurers and HMOs
 - ✓ Agents
 - ✓ Other insurance-related licensees
 - ✓ State-chartered banks
 - ✓ State-chartered credit unions
 - ✓ Mortgage brokers and lenders
 - ✓ Other consumer finance licensees
- DIFS's operations require no general fund dollars

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

History & Overview of DIFS

- Nine offices
 - General Counsel and 3 deputies report to Director
- Chief Deputy Director Teri Morante
 - Office of Financial and Administrative Services
 - Office of Consumer Services
 - Legislative Liaison
- Senior Deputy Director Judy Weaver
 - Office of Insurance Evaluation
 - Office of Banking
 - Office of Credit Unions
- Senior Deputy Director Rhonda Fossitt
 - Office of Insurance Rates and Forms
 - Office of Insurance Licensing and Market Conduct
 - Office of Consumer Finance

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Office of General Counsel

- Advice and counsel to Director
- Enforcement
- Research, rules and special projects
- PRIRA

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Office of Financial and Administrative Services

- Budget
- IT
- Administrative services
 - Phones
 - Travel
 - Purchasing

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Office of Consumer Services

- Includes communication center, which serves as the initial point of contact for all incoming calls and visitors
- Handles Complaints and conducts investigations
- Responds to consumer inquiries
- Provides consumer information
- Manages consumer outreach program
- Responsible for website development and maintenance

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

DIFS Website

- Consumer and industry information
- Publications
- Legal actions
- Access to statutes, bulletins, etc.
- Charter and licensee locators
- Industry Specific Portals

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Legislative Liaison

Policy/Legislation:

Teri Morante
Jenita Moore
Gabe Basso

Constituent Inquiries:

Cathy Kirby, Director
Office of Consumer Services

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Office of Credit Unions

Responsible for the regulation, examination and supervision of Michigan state-chartered credit unions. The office is also responsible for processing corporate applications filed by depository financial institutions.

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Office of Credit Unions

Regulatory Overview

- The Michigan CU Act was rewritten and extensively updated in 2003 – notable improvements included streamlining CU membership provisions, expanding CU powers, and strengthening DIFS's regulatory authority.
- Several Federal CUs have moved to the state charter since passage of the new Act.

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Office of Credit Unions

Regulatory Overview

- DIFS's Office of Credit Unions has been accredited by the National Association of State CU Supervisors since 1989, and was the first state CU regulatory agency to be accredited.
- DIFS examines each state-chartered CU every 12 to 18 months, depending on size and risk profile.
- Problem CUs are generally subject to quarterly onsite visitations, depending on risk profile.
- The National Credit Union Administration (NCUA) places substantial reliance on DIFS's examination and supervision programs in managing National CU Share Insurance Fund risk.
- NCUA and DIFS perform joint examinations on larger or problem institutions.

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Office of Credit Unions

Industry Overview

- Michigan CUs can choose a state or Federal charter.
- All Michigan CUs must be Federally insured by the NCUA.
- 63% or 178 of all 280 Michigan CUs are state-chartered, with 77% or \$36.9 billion of total Michigan CU assets at Sept. 30, 2014.



Office of Credit Unions

Industry Overview

- Consolidation continues driving down the number of total charters across the country and in Michigan but assets under supervision continue to grow.
- The average size of a Michigan state-chartered CU is about \$215 million.
- DIFS regulates CUs ranging in size from \$294 thousand to over \$3.7 billion in total assets.
- Michigan compares favorably to other states relative to the number and asset size of state charters vs. federal charters.



Michigan Credit Unions

Economic Impact

- About 3.6 million Michigan citizens are state-chartered CU members.
- Michigan's chartered CUs have generally weathered the tough economy.
- Michigan chartered CUs employ 9101 full-time and 1725 part-time employees.
- Michigan state-chartered CU loans exceed \$21 billion at September 2014.



Office of Banking

Responsible for all aspects of the supervision, regulation and examination of state-chartered banks, savings banks, and trust-only banks.

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Office of Banking

- DIFS bank regulatory program derives its authority from:
 - Michigan Banking Code, 1999 PA 276
 - Savings Bank Act, 1996 PA 354
- Banks and savings banks have a choice of state or federal charter
- Funding for the office is provided exclusively through supervisory and activity fees paid by state-chartered banks and savings banks

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Office of Banking

- Examiners conduct statutorily-mandated safety and soundness examinations at 12- to 18-month intervals as well as off-site monitoring and visitations
- Examiners assign formal ratings to banks based on their capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk (CAMELS)
- DIFS's bank regulatory program has earned continuous accreditation by the Conference of State Bank Supervisors (CSBS) since 1986

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Office of Consumer Finance

Responsible for the licensing, regulation, and examination of entities and individuals doing business under various Michigan consumer finance statutes

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Office of Consumer Finance

Responsible for ten Consumer Finance statutes:

*Licensed at
12/31/14*

Mortgage Brokers, Lenders & Servicers Licensing Act	593
Mortgage Loan Originator Licensing Act	9,016
Secondary Mortgage Act	188
Consumer Financial Services Act	14
Credit Card Arrangements Act	0
Debt Management Act	34
Deferred Presentment Service Transactions Act	616
Money Transmission Services Act	72
Motor Vehicle Sales Finance Act	2,390
Regulatory Loan Act	50
	12,973

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Office of Consumer Finance

Regulatory Activities

- Licensing
- Examinations
- Investigations of complaints and unlicensed activity
- Enforcement actions
- Industry outreach efforts

DIFS DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Office of Consumer Finance

Dodd-Frank Wall Street Reform and Consumer Protection Act

- Wide-ranging impact on Consumer Finance Industry
- Consumer Financial Protection Bureau (CFPB): new federal regulator
- Mortgage Industry: largest impact to date
 - Thousands of pages of new mortgage rules effective January 2014
 - More rules become effective August 2015
 - CFPB examination and enforcement activities
 - Significant resources required to implement and comply with changes
- Money Transmission, Payday Loans, and Auto Financing also subject to CFPB regulation

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